

Lawn * Garden Marketing

NOVEMBER/DECEMBER, 1980

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CHEMICALS:
refining the
formula for retail profits

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EDITORIAL

Wendall Burns, Editor
Tom Dease, Managing Editor
Debra Miller Kim, Editorial Assistant
Pat Blanton, Source Book Editor
Ted Stamen, Contributing Editor
Dudley Rose, Senior Art Director
Anita Blattner, Art Director

CIRCULATION

John C. Ernst, Director
Evelyn Rogers, Manager

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ADMINISTRATION

R. J. Hancock, President
John Wickersham, Publisher

ADVERTISING

Jane Brooksher, Marketing Coordinator
Lou McNeill, Production Manager
Production Sales—See
regional marketing office
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16 Chemicals: refining the formula for retailing. An in-depth report on chemicals as the profit maker in the lawn and garden centers. Shipments of 1980 sales volume data and predictions for 1981 are included. By Wendall J. Burns.

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COMING IN THE JANUARY ISSUE:

Merchandising the *complete* garden supply package—a comprehensive package of profit-making lines for retailers to handle in serving the increased number of home vegetable gardeners. It will include trends and merchandising tips on a variety of products: tillers and tractors, fence and fertilizer, books, plants and other basics for your customers' success.

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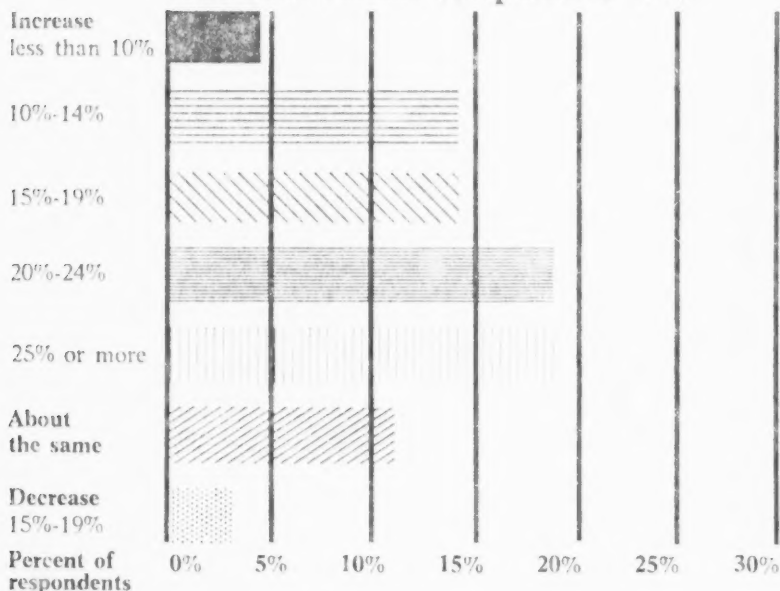
CHEMICALS

Refining the formula for retail profits

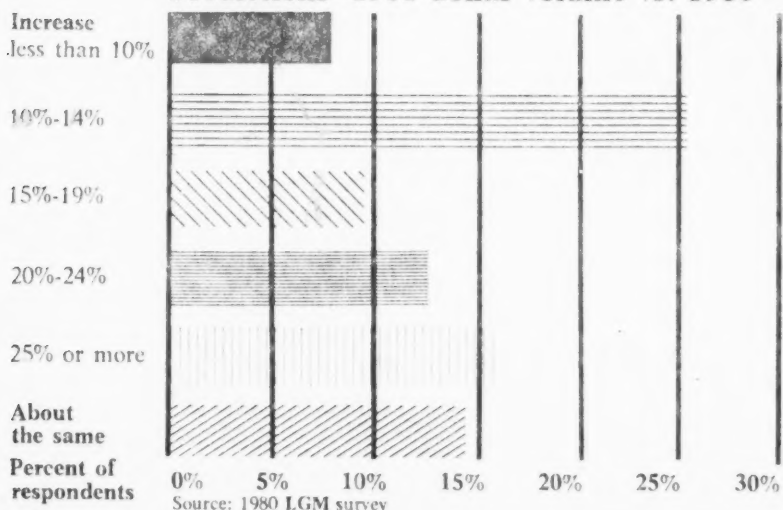
Wholesale distributors report volume changes in '80, predictions for '81

Two thirds of the wholesale distributors responding to an LGM survey reported that their dollar volume of horticultural chemicals sold in 1980 was more than 10 percent over sales in 1979. Thirty-eight percent of them reported dollar volume increases of more than 20 percent over 1979 sales. They predict that 1981 volume will continue to grow at a rate that will mean real growth, that is, surpassing the expected inflation rate.

1980 sales volume compared to 1979



Predictions—1981 dollar volume vs. 1980



Retailers and suppliers tell how and why horticultural chemicals are dependable profit sources.

By Wendall J. Burns

■ The chemical sections of garden centers and of the garden departments of mass retailers remain solid profit centers even though demand, margins and profits for some other product categories have gone soft. The reasons for the steady demand, and the merchandising strategies were described for us by retailers, distributors and manufacturers of lawn and garden chemicals.

Chemicals are viewed by gardeners as problem solvers or preventatives. The problems often require urgent attention to save an investment in landscape plants or a vegetable crop. The problem-solving nature of chemicals enables retailers to maintain higher margins on them than they can on other lawn and garden supplies and accessories.

The successful merchandising formula depends upon good customer traffic, and the retailer must offer the customer the advantage of significantly reduced price (the chain store approach), or product knowledge (the garden center approach).

The chain store profit formula is relatively simple. A product which solves an easily identifiable problem such as a herbicide for dandelions or crab grass—can be used as a loss leader to pull good traffic to its lawn and garden department.

While he is in the department, the customer, on impulse, purchases other chemicals, fertilizer, or gardening accessories. These items all carry high enough margins to build a good profit base, and more than compensate for the reduced margin on the popular price-sensitive item which was advertised as a loss leader to build traffic.

When price loses power

What if the gardener's problem was a fungus instead of the easily

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identifiable crab grass? A gardener who is serious about raising vegetables will frequently look for advice in a garden center when he is not sure about the cause and cure for a plant problem. The discount prices lose appeal in these instances, and the garden centers gain customers willing to pay full price margins.

The garden center managers have seen no need to reduce their margins on chemicals to meet competition as many have done with fertilizer. They saw the sustained interest in vegetable gardening this year reflected in demands for gardening-related chemicals, and expect the same pattern to continue due to increased supermarket food prices.

Tie-in with plant sales

Plant promotions by garden centers are another major element in this merchandising formula. Manufacturers and distributors as well as the garden center managers recognize the importance of seeds and quality plants in building traffic for good chemical sales volume. John Lofton, a Meridian, Miss., dealer, said he has built chemical sales of \$180,000 annually by increasing space and displays of green goods.

"We added a building for indoor plants and we doubled space for display of bedding plants, shrubbery and trees." Last year, this company moved more than \$130,000 in plant materials.

Lofton is the manager of the Lauderdale County Co-op which has an overall volume of \$3 million annually. He was an accountant and auditor before entering this business five years ago. He said that an important move for the company was hiring a horticulturist to provide the garden center expertise.

"We don't use anything as a loss leader. We advertise on radio and TV, and we fit the product to the season."

This year, the hot, dry weather cut back on demand for some chemicals, but increased the need for products to control fleas. There was a great infestation of fleas in lawns, Lofton said. This garden center sold a large amount of Diazinon and Sevin for flea control.

The markups on this dealer's

chemicals range from 35 to 55 percent, and turnover for this product line is six to seven times annually.

In Virginia Beach, Va., Rita Kristensen, the lawn and garden buyer for a chain of four home centers, reported a similar merchandising experience. The drought and extreme heat reduced gardening activities and garden product sales, even though vegetable gardening is popular in the area. But, True Value Home Center's four

"If you want to be in the chemical (retailing) business, you have to offer seed and plants. One tomato plant can generate \$10 in sales."—A chemical manufacturer

stores were stocked with flea control liquid for lawns and dust for pets. Kristensen said the company had several promotions this year on the flea-control products, with the products set up on end-caps during the advertising campaigns. This was another product category which required personal selling, she said, as customers had questions about how and when to apply the products.

Many of the residents of military establishments in the area are from other regions and need information on local growing conditions, making them good customers for lawn and garden specialty retailers.

"We are seeing a little more fall gardening than normal because so many people lost their gardens this summer," Kristensen added.

She likes the stability of the margins on chemicals. This is unlike her experience with merchandising fertilizer, where she starts with one price every year, but

has to cut it to meet the competition.

Switch to high-margin brands

At The Garden Center Inc., Richmond, Ind., the management decided that because customers were coming to them for their expertise, they could switch to a line of chemicals not being discounted by the chain stores. For some gardening problems, they sell their customers products on which they receive a 50 to 60 percent markup. "We've got lots of competition in town," said Paul Favreau, the assistant manager. "We're competing heavily with K-Mart. But customers come in here for information. They also come in here because we carry merchandise all season long, not just May and June. We even reorder for fall sales."

"Obviously, money is a big thing," Favreau said, "and, we hear a lot about prices. We don't bend on prices. We stick to our prices, and usually we get it."

The Garden Center Inc. tripled its space this year for display of bedding plants and flowering plants, and doubled its sales of volume in this merchandise.

The margins on chemicals for this retailer will average about 40 percent. In-season orders placed through the distributor yield about 35 percent margin, reducing the average.

Weed killers, from a consumer demand standpoint, are a more predictable line than the pesticides, Favreau noted, but added that the prevalence of lawn diseases this year dictated the ordering of more disease-control products.

Like others in this business, Favreau reports that sales volume is increasing, and he attributes it to the fact that people are staying at home and spending more time in the yard and garden.

How retailer types differ

An Indiana distributor, Ed Sutor, sales manager of Desco Chemicals, Inc., Napanee, described differences in the approach of mass retailers and specialty retailers. Herbicides are a product used in great quantity by many homeowners. This sizable demand makes it a price-sensitive item in this era of

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The compact display of chemicals to solve a wide range of lawn and garden problems makes this a predictable profit center.

Chemicals continued from page 18

high costs. The mass retailers look on this demand as a good promotional item to build traffic.

But rose dust is in a different category. There are fewer customers who need it, and those who want to use it may need to go to a garden center for information. The mass retailers are not likely to discount a product such as rose dust, even if they do carry it, Suttor said.

"Overall, 1980 has been an outstanding year for garden products," Suttor said. "There have been so many people planting that I don't think that (holdover) inventories will be a problem." He had heard reports of strong insect infestations in Indiana, Michigan and Ohio.

Desco services garden centers, nurseries, golf courses, chain stores and hardware stores.

He described the differences in merchandising chemicals and in merchandising lawn food. The latter product performs only one

function, and lends itself to self-service customers, and to discounting. A line of chemicals, however, has dozens of potential uses. It is often up to the retail sales personnel to help the customer to identify the plant or insect problem, and to specify the chemical to be used. Chemicals, therefore, are not as likely to be sold at discounted prices.

In comparing the profitability of chemicals and fertilizers, he noted that with a lawn food the product performs only one function. But one chemical can be used to resolve a score of problems which the customer or the retailer have identified. Prices on these chemicals are less likely to be discounted.

Suttor also noted that some mass retailers virtually close their lawn and garden departments at the end of June or July. "The independents start picking up then, and do pretty well."

"We can see a lot of change going on," Suttor said. He has observed, for example, that the independents are doing more fungicide business. He believes one reason is that the gardening public is becoming more aware of fungus as a plant problem. The customer often goes to the garden center for help with fungus problems, he said.

Education needed

One manufacturer stressed the educational job the retailers need to do for their customers. Another observer said that retailers themselves need more training in identifying fungus, and prescribing the right treatment.

One manufacturer who sells to both independents and mass retailers said the independent garden centers need to promote more aggressively to build traffic. He cited several highly successful garden centers, and said their success had come from identifying a few of the more popular plants for their market areas, advertising them heavily and then providing information and service when customers come in. The sale of chemicals will follow if such plant promotions are conducted, and the chemicals are in stock and well displayed, he said.

"Real growth has slowed," one manufacturer said of the overall lawn and garden business. "Ornamentals and turf products are flat. Indoor plants are flat. But vegetable gardening is in a steep rise. Every newscast about prices going up gives gardening a new boost. Right now, seed distributors will tell you that they are out of some vegetable seed varieties.

"If you want to be in the chemical (retailing) business, you have to offer seed and plants. One tomato plant can generate \$10 in sales," he said.

Even though all these elements favor the continued profitability of lawn and garden chemicals, there is one unpredictable element that could change the market: government regulation. No one knows when the EPA may ban a product from the retailers' shelves. This is a problem they have faced previously. Not only does this remove a high-margin product from inventory, it hurts the public image of other chemicals as problem solvers.

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The Plant Nurse™ houseplant soil aerator instantly replaces the air in the soil that is forced out from watering!

This means that it eliminates the cause of most houseplant failure . . . overwatering!

It pumps fresh air into the soil, replacing the air lost due to soil "compaction"; and it stimulates nutrient "uptake", allowing the plant to feed more completely.

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Attn: Plant Nurse Division

Circle (19) on Reply Card

Chemicals continued from page 20

Comparing 8 elements in merchandising chemicals

Lawn & Garden Centers

Personnel—Knowledgeable in plants, and pesticides and trained in educating customers

Quality plants—Important as traffic builder and tie-in sales of chemicals

Advertising—Capital and skills are limited

Margins—Full margins, except for occasional promotions

Image—The place to go for expert advice on plants, plant problems, broad inventory of merchandise

National brand names—Less important when skilled horticultural personnel available

In-stock—From pre-season through post-season

Display—Varies from excellent to poor

Multi-Dept. Stores

Personnel—Usually have limited knowledge, and limited availability for customer service

Quality plants—Varies from one company to another

Advertising—Highly skilled; costs reduced by multi-store, multi-dept. ad programs

Margins—High volume purchases permit good gross despite reduced margins on some promotional items which are used to build traffic

Image—The place to go for discounted prices

In-stock—Only through the peak of the growing season

National brand names—Important with self-service or unskilled sales personnel.

Display—Usually good to excellent. High visibility necessary to guide self-service customers

Power Equipment Highlights

Vol. 1, No. 4

November/December 1980

Key power unit shipments drop 3.5%

Shipments of key power equipment units declined 3.5 percent in 1980 compared with 1979, according to estimates of the Outdoor Power Equipment Institute. Not surprisingly,

shipments of garden tractors dropped 16.9 percent as a result of tight credit restrictions. Another sign of the times is reflected in the surge in shipments of rotary tillers, which advanced

9.8 percent, indicating that gardening is on the rise.

The FOB shipment value of these key units increased a modest 3.7 percent, probably a result of inflation. The

most dramatic increase in FOB values was attributed to rotary tillers, up 20.4 percent. Again, garden tractors accounted for the largest decrease with FOB shipment value dropping 7.9 percent.

Shipments for 1979-80 model years

Product	Unit Shipments			FOB shipment value (in million of \$)		
	1979	1980	% change	1979	1980	% increase
Walk-behind power mowers	5,900,000	5,700,000	- 3.4	656.0	701.0	+ 7.0
Lawn tractors/riding mowers	798,000	721,000	- 9.6	458.4	473.3	+ 3.2
Front engine	479,000	441,000	- 7.9	289.2	308.0	+ 6.5
Rear engine	319,000	280,000	-12.2	169.2	165.3	- 0.6
Riding garden tractors	236,000	196,000	-16.9	339.3	312.5	- 7.9
Rotary tillers	565,400	621,000	+ 9.8	123.3	148.4	+ 20.4
All units	7,499,400	7,238,000	- 3.5	1,577.1	1,635.2	+ 3.7

Source: Outdoor Power Equipment Institute

Kohler entering diesel market

The Kohler Co. has announced its entry into the diesel engine market. A. G. Kroos Jr., general manager of the Kohler Co. engine division, states that Kohler will begin production of diesel engines in the second half of 1981, starting with a 2-cylinder, 20-hp model and following soon thereafter with a 3-cylinder, 30-hp model and 4-cylinder, 40-hp model.

The new diesels extend Kohler's horsepower range substantially. The company's air-cooled engine line consists of models ranging from 4 to 23 hp.

Kroos points out that introduction of the Kohler diesel line climaxes years of study and development. He also adds that Kohler diesels will

Noise-labeling program gets go-ahead signal

The Outdoor Power Equipment Institute has a voluntary noise-labeling program ready for the 1981 model year now that the Justice Department has notified OPEI that it will not challenge the program. The Environmental Protection Agency endorses the plan.

OPEI believes volun-

tary compliance is preferable to mandatory federal regulations which are more burdensome and would carry penalties for noncompliance. The voluntary program calls for the use of hang tags displaying a noise ratio for each particular mower model, plus a range of noise ratings for comparable models in

the same class. The two classes of mowers are walk-behind models; and riding mowers, lawn tractors and garden tractors. The commercial mowers are not covered by the program.

Noise ratings would be established by each manufacturer, subject to periodic verification by an independent testing laboratory.

be suited for a wide variety of equipment, including larger lawn and garden tractors, turf equipment, and construction, industrial and agricultural equipment.

In conjunction with the announcement of its new diesel engines, Kohler Co.

also announced a line of liquid-cooled gasoline engines based on the diesel design. The first of the "partner" gasoline engines is a two-cylinder, 25-hp model which will go into production in 1981 also. Many of the parts will be inter-

changeable between the gasoline and diesel lines, and the engines themselves are designed to be interchangeable so that equipment manufacturers can offer both diesel and gasoline models on the same piece of equipment.